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D'ELDONA GOLD MINES LIMITED

Annual Report

**FOR THE YEAR
ENDED APRIL 30
1968**

D'ELDONA GOLD MINES LIMITED

Incorporated under the laws of the Province of Ontario

CAPITAL	Authorized	-	-	-	-	-	-	-	6,000,000 Shares
	Issued	-	-	-	-	-	-	-	5,705,666 Shares
	Remaining in Treasury	-	-	-	-	-	-	-	294,334 Shares

OFFICERS	E. FRANKLIN FURNISS	-	-	-	-	-	-	-	<i>President</i>
	ROBERT BROWN	-	-	-	-	-	-	-	<i>Vice-President</i>
	VICTOR H. HEDGES	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>

DIRECTORS	BRUCE A. BLACKBURN							ROBERT BROWN
	MURRAY COOPER							E. FRANKLIN FURNISS
								VICTOR H. HEDGES

TRANSFER AGENT AND REGISTRAR	CANADA PERMANENT TRUST COMPANY	-	-	-	-	-	-	Toronto
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BANKERS	ROYAL BANK OF CANADA	-	-	-	-	-	-	Toronto
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AUDITORS	LAVENTHOL KREKSTEIN HORWATH & HORWATH	-	-	-	-	-	-	Toronto
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SHARES LISTED	Toronto Stock Exchange
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HEAD OFFICE:	121 Richmond Street West, Toronto
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THE PRESIDENT'S REPORT

TO THE SHAREHOLDERS:

Your directors are pleased to present, herewith, your Company's Annual Report and Financial Statements for the fiscal year ended April 30th., 1968.

The Delbridge Project

A further program of geophysical work is now in progress on the Noranda area property of Delbridge Mines Limited. This is the former D'Eldona Gold Mines property, and is held 49% by D'Eldona and 51% by Falconbridge Nickel Mines Limited. The surface geophysical work will be followed by diamond drilling, should positive indications be obtained.

In 1965, Falconbridge took an option on the D'Eldona property and in November of that year a mineralized orebody was discovered. From that date to September 1967, 56,787 feet of both surface and underground drilling was carried out which outlined an orebody of approximately 326,000 tons of ore grading 11.97% zinc, 1.03% copper, 4.15 oz. silver and 0.09 oz. gold.

A feasibility study was recently completed, which indicated that the orebody could be profitably mined at current metal prices, if shipments of the ore could be made to a custom plant for processing. Preliminary metallurgical tests of the Delbridge ore, which is a Noranda-type massive sulphide deposit, have indicated the Quemont and Delbridge ores to be compatible. The feasibility study considered custom milling the ore at either Lake Dufault Mines or Quemont, with costs indicating a preference for Quemont. Trucking distance to the Quemont mill is only 4.5 miles, which is currently working below capacity so could certainly use the Delbridge ore. Furthermore, that plant currently produces a pyrite concentrate which would add \$2.00 a ton to the value of the Delbridge ore.

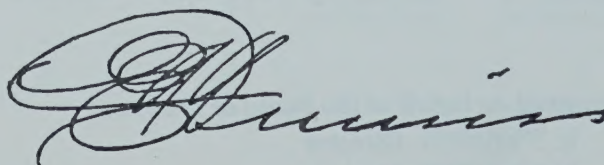
Net value of the ore block (\$18.00 per ton at current metal prices) is placed at \$5,868,000.00. Capital costs to get into production, including an underground crusher, are estimated at \$140,000.00, while preproduction expenses are placed at \$505,000.00. Operating costs are estimated at \$9.00 per ton on a 500-ton daily rate. The D'Eldona treasury has more than enough cash on hand to look after its portion of the capital expenditure that would be required.

When the deposit is brought into production, the feasibility report recommends that a depth exploration program be initiated from the 1,450-ft. level in order to probe an area along a strike length of 2,000 ft. and between 1,500-2,000 ft. below surface — the only dimensions open to exploration on the known ore structure.

Uranium Prospects

Your company has staked 314 mining claims in seven groups in the Blind River-Elliot Lake area with uranium potential, underlain by the Mississagi formation. Major companies of the calibre of Kerr-McGee, Imperial Oil, and Cominco have staked several thousand claims in this area. Your company has completed an agreement with Consolidated Mining & Smelting Company of Canada, whereby they have taken an option to purchase a group of 82 of our claims for a total consideration of \$150,000.00 if fully exercised. Your company is following with interest the work being carried on in this area, and a decision concerning an exploration program on the balance of the claims will be made in the near future.

On behalf of the Board of Directors,



E. Franklin Furniss, President.

October 11, 1968.

D'ELDONA GOLD

(Incorporated under the laws of

BALANCE SHEET

(With comparative figures)

ASSETS

	<u>1968</u>	<u>1967</u>
Current assets:		
Cash.....	\$ 164,113	\$ 83,878
Short-term deposits.....	250,000	350,000
Due from broker re sale of investments.....	26,665	—
Marketable securities, at cost (market value 1968 — \$40,100; 1967 — \$46,700).....	51,304	50,235
Accrued interest.....	4,176	3,933
Advance re staking of claims.....	2,000	—
	<u>498,258</u>	<u>488,046</u>
Investments, at cost:		
Delbridge Mines Limited (Note 1).....	1,296,564	1,130,795
Shares in other mining companies.....	7,563	7,563
	<u>1,304,127</u>	<u>1,138,358</u>
Fixed assets, at cost:		
Interest in unpatented mining claims.....	35,900	21,438
Furniture and fixtures.....	1,384	1
	<u>37,284</u>	<u>21,439</u>
Deferred expenditures and other assets:		
Exploration and administrative expenditures.....	15,241	5,998
Receivable from other mining companies (Note 2).....	9,109	7,710
Incorporation and recapitalization expenses.....	7,465	7,465
	<u>31,815</u>	<u>21,173</u>
	<u>\$ 1,871,484</u>	<u>\$ 1,669,016</u>

Approved on behalf of the Board of Directors:

E. FURNISS, Director

M. COOPER, Director

MINES LIMITED

(In the Province of Ontario)

Year ended - APRIL 30, 1968

(Comparison with year ended April 30, 1967)

LIABILITIES

	1968	1967
Current liabilities:		
Accounts payable.....	\$ 8,454	\$ 31,138

SHAREHOLDERS' EQUITY

Capital stock:

Authorized:

6,000,000 shares, par value \$1 each

Issued and fully paid:

5,555,666 shares at April 30, 1967, at par value

less \$2,911,650 discount thereon..... 2,644,016 2,644,016

150,000 shares issued during the year for cash, at par value

plus \$75,000 premium thereon..... 225,000 —

5,705,666 shares..... 2,869,016 2,644,016

Deficit	1,005,986	1,006,138
	<u>1,863,030</u>	<u>1,637,878</u>

<u>\$ 1,871,484</u>	<u>\$ 1,669,016</u>
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See notes to financial statements.

D'ELDONA GOLD MINES LIMITED

DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES FOR THE YEAR ENDED APRIL 30, 1968 (With comparative figures for the year 1967)

Exploration expenditures:

Rouyn Township:

	1968	1967
Drifting and cross cutting	\$ 134,757	\$ 55,382
Diamond drilling	78,812	36,433
Assaying	13,694	378
Surface services	18,076	8,838
Engineering and geology	13,030	6,246
Air and water lines	7,566	1,775
Hoisting	5,624	338
Administrative and miscellaneous	46,706	19,917
Station cutting	—	24,039
	<u>318,265</u>	<u>153,346</u>
Less 51% paid by Falconbridge Nickel Mines Limited	162,316	78,207
	<u>155,949</u>	<u>75,139</u>
Engineers' and geologists' fees paid directly by D'Eldona Gold Mines Limited	9,820	5,231
	<u>165,769</u>	<u>80,370</u>
Other mining properties:		
Engineers' and geologists' fees	1,808	—
Surveys	2,031	—
Government fees and licenses	649	417
	<u>4,488</u>	<u>417</u>
Total exploration expenditures	170,257	80,787
Total administrative expenditures	34,773	27,581
Total expenditures for the year	205,030	108,368
Less — interest and dividend income	26,780	10,694
Net expenditures for the year	178,250	97,674
Balance deferred at beginning of year	5,998	788,697
	<u>184,248</u>	<u>886,371</u>
Less: Exploration expenditures incurred on claims abandoned — written off to deficit	3,238	—
Exploration expenditures applicable to Rouyn Township property — transferred to cost of shares of Delbridge Mines Limited	165,769	880,373
	<u>169,007</u>	<u>880,373</u>
Balance deferred at end of year	<u>\$ 15,241</u>	<u>\$ 5,998</u>

D'ELDONA GOLD MINES LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 1968

(With comparative figures for the year 1967)

	1968	1967
Secretarial and accounting services*	\$ 5,200	\$ 6,750
Transfer agent's fees and expenses	6,357	2,244
Legal and audit fees	3,550	5,725
Shareholders' information and publicity	4,689	1,802
Directors' fees	1,725	1,900
Officers' remuneration	5,400	5,000
Shareholders' meeting expenses	2,289	2,120
Travel expenses	1,735	313
Interest expense	239	940
Office and general	3,589	787
Total administrative expenditures	<u>\$ 34,773</u>	<u>\$ 27,581</u>

*Paid to Corporate Services, a company controlled by the President of D'Eldona Gold Mines Limited.

STATEMENT OF DEFICIT

FOR THE YEAR ENDED APRIL 30, 1968

(With comparative figures for the year 1967)

	1968	1967
Balance at beginning of year	<u>\$ 1,006,138</u>	<u>\$ 1,003,866</u>
Add: Cost of mining claims abandoned	1,438	—
Exploration expenditures incurred on claims abandoned	3,238	—
Cost of surface rights written off	—	500
Loss (profit) from sale of investments	(4,828)	1,772
	<u>(152)</u>	<u>2,272</u>
Balance at end of year	<u>\$ 1,005,986</u>	<u>\$ 1,006,138</u>

D'ELDONA GOLD MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED APRIL 30, 1968

(With comparative figures for the year 1967)

	1968	1967
Funds were derived from:		
Proceeds from sale of capital stock.....	\$ 225,000	\$ 375,000
Profit from sale of marketable securities.....	4,828	—
Interest and dividend income.....	26,780	10,694
	<u>256,608</u>	<u>385,694</u>
Funds were applied to:		
Exploration and development — Delbridge Mines Limited.....	165,769	80,370
Exploration expenditures on other mining properties.....	4,488	417
Administrative expenditures.....	34,773	27,581
Acquisition of mining claims.....	15,900	1,438
Advances to other mining companies.....	1,399	1,495
Purchase of furniture and fixtures.....	1,383	—
Loss from sale of marketable securities.....	—	1,772
	<u>223,712</u>	<u>113,073</u>
Increase in working capital.....	32,896	272,621
Working capital at beginning of year.....	456,908	184,287
Working capital at end of year.....	<u>\$ 489,804</u>	<u>\$ 456,908</u>

D'ELDONA GOLD MINES LIMITED

NOTES TO FINANCIAL STATEMENTS – APRIL 30, 1968

Note 1 – Investment in Delbridge Mines Limited:

In consideration of Falconbridge Nickel Mines Limited having expended at least \$500,000 in the exploration and development of the company's mining claims in Rouyn Township, Quebec, the company transferred these claims to a newly incorporated company – Delbridge Mines Limited. For these claims Delbridge Mines Limited issued 750,000 shares of capital stock, of which D'Eldona Gold Mines Limited received 367,500 shares (49%) and Falconbridge Nickel Mines Limited received 382,500 shares (51%).

D'Eldona and Falconbridge have undertaken with Delbridge whereby D'Eldona and Falconbridge jointly are to carry on prospecting, exploration and development work on the said mining claims in such manner as they in their sole discretion deem advisable. It is agreed that Falconbridge shall be the manager of the work and have full and sole responsibility and rights for carrying out of all such work in the position as manager. The expenses incurred shall be borne as to 51% by Falconbridge and 49% by D'Eldona, and that the shares of Delbridge to be issued in consideration therefore (as hereinafter defined) will be divided between them in the same proportion. Either party may at any time discontinue its participation in the work upon giving thirty days written notice.

Falconbridge and D'Eldona will be entitled to receive one fully paid share of Delbridge for every \$1 of expenses incurred by them and Delbridge agrees that it will from time to time allot and issue shares in its capital stock as contemplated by this agreement.

The \$1,296,564 shown on the balance sheet is deemed to be the cost of the company's 49% interest in Delbridge Mines Limited and was determined as follows:

Company's cost of the mining claims in Rouyn Township – \$241,921 valuation	
attributed to capital stock issued for the claims plus \$8,500 paid in cash.....	\$ 250,421
Preproduction, exploration, development and head office expenses incurred prior	
to transfer of claims to Delbridge Mines Limited	805,235
Exploration and development expenses incurred subsequent to transfer of claims.....	240,908
	<u>\$1,296,564</u>

Note 2 – Receivable from other mining companies:

These mining companies are not in a position at the present time to repay the \$9,109. Collectibility is dependent upon the success attained by them in the development of their mining properties or upon future financing.

Note 3 – 1967 comparative figures:

For comparative purposes, certain 1967 figures have been reclassified on the same basis as has been used in 1968.

LAVENTHOL KREKSTEIN HORWATH & HORWATH
CHARTERED ACCOUNTANTS

160 BLOOR STREET EAST, TORONTO 5, ONTARIO

TELEPHONE: 416-920-3200

CABLE: HORWINTAS

AUDITORS' REPORT

To the Shareholders of

D'ELDONA GOLD MINES LIMITED

We have examined the balance sheet of D'Eldona Gold Mines Limited as at April 30, 1968 and the statements of deferred exploration and administrative expenditures, deficit, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at April 30, 1968 and its activities and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LAVENTHOL KREKSTEIN HORWATH & HORWATH

Toronto, Ontario,
September 16, 1968.

Chartered Accountants.

D'ELDONA GOLD MINES LIMITED

(No Personal Liability)

INFORMATION CIRCULAR**SOLICITATIONS OF PROXIES**

This Information Circular is furnished in connection with the solicitation by the management of D'Eldona Gold Mines Limited (No Personal Liability) (the Company) of proxies to be used at the Annual Meeting of the Shareholders of the Company to be held in Toronto, Ontario, October 31st, 1968 for the purposes set forth in the accompanying notice of the said meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited by persons regularly connected with the Company at nominal cost. The cost of solicitation will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO EITHER BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER FORM OF PROXY AND IN EITHER SUCH CASE DELIVERING SUCH COMPLETED PROXY OR MAILING IT TO THE COMPANY, AT ITS OFFICE, PENTHOUSE SUITE, 121 RICHMOND ST. WEST, TORONTO, ONTARIO, AT LEAST 48 HOURS, EXCLUDING SATURDAYS AND HOLIDAYS, IMMEDIATELY PRECEDING THE HOUR SET FOR THE HOLDING OF THE SAID MEETING.

A shareholder present in person or his proxy being present in person, subject to filing his proxy as aforesaid, is entitled to vote at the meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the written directions of the shareholders appointing them. IN THE ABSENCE of such WRITTEN DIRECTION, such shares will BE VOTED FOR the approval of the Directors Report and Financial Statements and for the election of Directors; AND THE appointment of Auditors as stated under those headings in the Circular.

THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF THE MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. AT THE TIME OF SENDING OUT THIS CIRCULAR THE MANAGEMENT OF THE COMPANY KNOWS OF NO SUCH AMENDMENT, VARIATIONS OR OTHER MATTERS TO COME BEFORE THE MEETING.

VOTING SHARES

On the 3rd day of October, 1968, the Company had outstanding 5,705,666 common shares of \$1.00 par value each and all shares have equal voting rights of one vote for each share.

ELECTION OF DIRECTORS

The Board of Directors consists of 5 Directors to be elected annually at each Annual Meeting of Shareholders. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now directors and have been since the dates indicated. The management expects that each of the nominees will be able to serve as directors but if any of such nominees are unable to serve as directors, the persons named in the enclosed form of proxy shall have the right to vote for another nominee in their discretion. Each director elected holds office until the next Annual Meeting and until his successor is duly elected unless his office is earlier vacated pursuant to the by-laws of the Company.

(OVER)

The following are the names of all the persons proposed to be nominated for election as directors with particulars of all positions and offices now held by them with the Company, their principal occupations during the previous 5 years, the year in which they became directors of the Company and the number of shares beneficially owned by them as of the 3rd day of October, 1968.

PROPOSED DIRECTORS:

E. FRANKLIN FURNISS. He is now the President and a Director of the Company and has been a Director since the 29th day of August, 1951. He has been the President for several years. His chief occupation has been the operation of a sole proprietorship relating to secretarial services known as Corporate Services. He is the owner of 15 shares.

ROBERT BROWN. He is now the Vice-President and a Director of the Company and has been a Director since the 27th day of May, 1963. He has been the Vice-President for several years. His chief occupation has been that of a corporate secretary. He is the owner of one share.

VICTOR H. HEDGES. He is now the Secretary-Treasurer and a Director of the Company and has been a Director since the 4th day of June, 1965. He has been the Secretary-Treasurer for three years. His chief occupation has been that of a security company executive. He is the owner of 2,001 shares.

BRUCE A. BLACKBURN. He is a Director of the Company and has been a Director since the 8th day of May, 1964. His chief occupation has been that of an insurance executive. He is the owner of one share.

MURRAY COOPER. He is a Director of the Company and has been a Director since the 8th day of May, 1964. His chief occupation has been that of a Mining Executive. He is the owner of one share.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate remuneration paid or payable by the Company for the fiscal year ending April 30th, 1968, including remuneration paid to CORPORATE SERVICES: \$12,325.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Laventhol Krekstein Horwarth & Horwarth, Chartered Accountants, Toronto, as Auditors of the Company to hold office until the next Annual Meeting of Shareholders.